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Texaco Copyright Appeal Decided

by Laura N. Gasaway © 1994

The long-awaited decision in the Texaco case was handed down on October 28, 1994, seventeen months after it was argued before the U.S. Court of Appeals for the Second Circuit. See 1994 WL 590563 (2d Cir. 1994). Librarians and library associations were disappointed in the result that upheld the district court's decision in favor of the publishers. Decided solely on fair use grounds, the lower court held that Dr. Donald Chickering, a research scientist at Texaco who made single photocopies of eight articles from journals to which Texaco subscribed and put the copies in his personal files for use in his work at the company, infringed the publishers' copyrights in those journal articles. Texaco appealed the decision on a variety of grounds and was supported in the appeal by several groups, including a number of library associations, which filed amicus (friend of the court) briefs challenging the district court's holding.

Majority Opinion

In a 2-1 decision, the influential 2d Circuit agreed with the district court that Dr. Chickering's photocopying infringed the publishers' copyrights but for slightly different reasons. The good news from the decision is that the court limited the issue of fair use with respect to the specific facts in this case rather than to the broader issue raised by the amicus curiae of whether the photocopying of scientific articles is fair use or even whether photocopying single articles for personal use by a researcher in a for-profit company is fair use. Thus, while the very narrowness of the opinion should be applauded, it leaves many unanswered questions.

The majority based its decision on two primary facts: copying which it viewed as non-transformative archival copying and the existence of the Copyright Clearance Center (CCC) as a means

for users to pay for licenses to copy individual articles. The court applied the four section 107 fair use factors with the following results.

1. Purpose and character of the use. The court recognized that there may be non-transformative uses of copyrighted works such as photocopying and other forms of conversion to more useful formats that may be fair use. The court stated that it might be fair use if Dr. Chickering had photocopied the articles and used them in the laboratory because they were less bulky than the original or to avoid exposure of the original to chemicals. What Dr. Chickering had done, however, was to build a mini-library of photocopied articles. The primary purpose of his copying was to have a personal copy that he could consult at the appropriate time which relieved Texaco from having to purchase another original journal. In a for-profit company, the court simply felt this was not one of those non-transformative uses that might qualify as a fair use.

It found that the first factor favored the publishers primarily because the dominant purpose of the use was "archival." The court described archival use as the assembling of a set of papers for future reference which it believed served the same purpose for which additional subscriptions are normally sold or for which photocopy licenses may be obtained.

The circuit court agreed with Texaco that the district court placed undue emphasis on the fact that it is a for-profit corporation conducting research primarily for commercial gain. Actually, most users seek some measure of commercial gain from their use, and the court felt that over emphasizing the commercial motivation of a copier would be too restrictive a view of fair use. The district court's error was in letting the for-profit nature of Texaco's activity weigh against it without differentiating between a direct commercial use and the more indirect relation to commercial activity that

occurred. The company did not gain direct or immediate commercial advantage from the photocopying. At most, it facilitated Dr. Chickering's research. On the other hand, the court felt that the for-profit nature of Texaco's enterprise could not be ignored since the company did reap some economic advantage from its photocopying.

On balance, the 2d Circuit agreed with the district court that the first fair use factor favored the publishers but primarily because of the archival nature of the copying.

2. Nature of the copyrighted work. The 2d Circuit also agreed with district court (and Texaco) that this factor favors Texaco. The reason is that the works in question were scientific articles which are factual in nature. An earlier Supreme Court decision had indicated that users of factual works were entitled

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to greater fair use rights since facts are not copyrightable.

3. Amount and substantiality of portion used. The 2d Circuit definitively answered the question of whether the amount and substantiality test is to be judged based on each article or on the journal issue itself that is registered for copyright. According to the court, each article is a discreet copyrighted work and Texaco copied entire works which normally militates against a finding of fair use. According to the recent U.S. Supreme Court decision in Campbell aka Luke Skywalker v. Acuff-Rose, 114 S.Ct. 1164 (1994), (the "Oh, Pretty Woman" parody case), the amount and substantiality of the original work used by the secondary user helps a court gain insight into the purpose and character of the use in the consideration of whether the quantity of the material used was reasonable in relation to the purpose of the copying.

4. Market effect. The 2d Circuit disagreed with the district court somewhat

concerning the effect on the market for the individual article. It held that the market for the individual article is separate from the market for the composite work (the journal issue). Further, the effect of the copying of the individual articles was found to be of only limited significance in determining and evaluating the effect of Texaco's copying upon the potential market for or value of the individual article. At best, the loss of a few journal subscriptions tips the fourth factor only slightly toward the publishers because evidence of such loss is weak evidence that the copied articles have lost any value.

However, the court unequivocally held that as a general matter copyright holders may demand a royalty for licensing others to use copyrighted works. Not only that, but the impact on potential licensing revenues is a proper subject for consideration in assessing the market effect of the use. Although publishers still have not established a conventional market for the direct distribution and sale of individual articles, the court believes that the CCC provides a workable mechanism for institutional users to obtain licenses to reproduce individual articles. Thus, a workable market has been created for individual articles, and it is appropriate to consider license fees that would be collected in determining the effect on the market for or value of the work.

Dissenting Opinion

There is a strong dissent which supports the view taken by librarians and library associations generally. Primarily, the dissent found that the photocopying of journal articles as part of ongoing scientific research clearly is within the scope of fair use. To describe Dr. Chickering's copying as "archival" is a misnomer. "An archive is ordinarily a bulk of documents accumulated by a bureaucratic process and serviced as a resource for public or institutional reference." This is not what Dr. Chickering had assembled, according to the dissent. His personal file contains articles available for reference to assist the memory, curiosity and ongoing inquiries of a single researcher.

Further, according to the dissenting judge, such copying is part of a transformative process of scientific research that has a long history. Making a single copy has long been held to be reasonable and

customary (by hand). What Dr. Chickering did is simply a technologically assisted form of note-taking.

Even the district court had recognized that if Dr. Chickering had a personal subscription to the journal, he would have been permitted to make a copy. The dissent believed the same should apply to the institutional subscriptions.

The dissenting judge felt that the fourth factor should tip in Texaco's favor for the following reasons: (1) there was no appreciable impairment of the publishing revenue from journal subscription and sales, (2) publishers charge a higher institutional rate, often double, for journals, and (3) the market for licensing is cumbersome and there is no consensus among publishers that such photocopy licenses should exist.

The dissent concluded admonishing that the majority's ruling on fair use would add to the cost, time and effort that scientists spend to scan, keep and use journal articles. "The law is not intended to ensure the copyright holder maximum economic return. Rather, the law's purpose is to balance competing interests and assure the author a fair return while permitting creative uses that build on the author's work."

The Future

Texaco has announced that it is filing a petition for rehearing in banc. There is no indication whether the rehearing will be granted, and if granted, what the outcome of a rehearing might be. Should its petition for rehearing be denied, it is not known whether Texaco will appeal to the U.S. Supreme Court. Even should Texaco appeal, the Supreme Court accepts only a small percentage of appeals. At the same time, Texaco will be driven by business and economic concerns to determine whether to pursue an appeal or whether to settle the matter and negotiate a license with the CCC.

Ten Unanswered Questions

1. What impact will the fact that the holding is based on the archival nature of the copying have?
2. Does the decision really mean that Dr. Chickering could have copied the article, used it in the lab and then destroyed it without infringing?

3. How long does such a researcher have to use the copy before destroying it? A day? A week? A month? At what point does the copy become "archived"?

4. Is there distinction between use of a photocopy in a laboratory and in an office?

5. Could he repeatedly ask the library for single copies of the same article when he needed it as long as each copy is destroyed before he requests another?

6. Given the narrowness of the decision and its limitation to the precise facts of the case, will other for-profit companies feel bound by the decision? Even those outside of the 2d Circuit, i.e., New York, Connecticut and Vermont?

7. Will there be an impact on others in the for-profit sector such as small businesses, individual physicians, attorneys, C.P.A.'s, and the like?

8. Will the decision encourage publishers that do not belong to the CCC to join? If they do not do so will they be deemed to have forfeited the right to claim a market for the sale of photocopy licenses?

9. Since the 2d Circuit did not mention § 108 (as the district court had in dicta) what impact will the decision have on library copying?

10. Is the Texaco decision limited to for-profit companies so that non-profit companies are free to make single copies of articles for use within the company?

Conclusion

It will be many months and perhaps years before the answers to these and other questions concerning the Texaco decision are answered. The opinion will provide fertile ground for scholarly debate and writing in both law and librarianship. ☛

According to *Black's Law Dictionary*, 5th ed., 1968. p.472 (St. Paul, MN: West Publishing Company), *En banc* comes from the French "in the bench" and "refers to a session where the entire membership of the court will participate in the decision rather than the regular quorum." Only three U.S. Court of Appeals, Second Circuit judges heard the Texaco appeal — Chief Judge Newman, and Circuit Judges Winter, and Jacobs, and 20 are on the Court! — KS